

Message Text

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61

ACTION ARA-20

INFO OCT-01 ISO-00 EB-11 INT-08 FEA-02 COME-00 OMB-01

DRC-01 TRSE-00 AID-20 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 SAM-01 SIL-01 LAB-06 CIEP-02 /151 W

----- 047655

R 021610Z FEB 74

FM AMEMBASSY SAN JOSE

TO SECSTATE WASHDC 6111

AMEMBASSY CARACAS

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN SALVADOR

AMEMBASSY TEGUCIGALPA

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GUATEMALA ALSO FOR ROCAP

E.O. 11652: N/A

TAGS: ENERG, CS, XK, VE

SUBJECT: ENERGY: CENTRAL AMERICAN ECONOMIC

MINISTERS REQUEST SPECIAL TREATMENT BY

VENEZUELA ON PETROLEUM

1. SUMMARY: LOCAL PRESS REPORTS DETAILS OF
REQUEST FOR SPECIAL CONSIDERATION IN PETROLEUM MATTERS
MADE BY CENTRAL AMERICAN ECONOMIC MINISTERS TO THE
GOVERNMENT OF VENEZUELA (GOV). THE GOV'S
SYMPATHETIC RESPONSE WILL BE OF PARTICULAR IMPORTANCE
BECAUSE OF THE SERIOUS IMPACT ON THE BALANCE OF PAYMENTS
OF ALL CENTRAL AMERICAN COUNTRIES IN PROSPECT FOR 1974
AS A RESULT OF THE ENERGY CRISIS. ACTION REQUESTED:
ANY FURTHER INFORMATION AMEMBASSY CARACAS COULD
PROVIDE WITH REGARD TO THIS MEETING WILL BE
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APPRECIATED, ESPECIALLY AS REGARDS THE POSSIBILITIES

OF INSTITUTING A THREE-MONTH MORATORIUM ON PETROLEUM PRICES.

2. ACCORDING TO LOCAL PRESS COVERAGE, DURING A MEETING BETWEEN REPRESENTATIVES OF THE FIVE CENTRAL AMERICAN COMMON MARKET COUNTRIES AND THE VENEZUELAN MINISTER OF MINES AND HYDROCARBONS HELD IN VENEZUELA ON JANUARY 31, COSTA RICAN MINISTER OF ECONOMY, INDUSTRY, AND COMMERCE GASTON KOGAN, SPEAKING IN BEHALF OF HIS COLLEAGUES, MADE THE FOLLOWING THREE PROPOSALS:

A. THAT VENEZUELA ESTABLISH A THREE MONTH MORATORIUM ON THE PRICE OF PETROLEUM.

B. THAT A MEETING OF ALL LATIN AMERICAN COUNTRIES-- IN WHICH VENEZUELA WOULD PLAY AN IMPORTANT ROLE--BE HELD TO ANALYZE THE CURRENT ENERGY PROBLEM AND TO SEEK SOLUTIONS TO IT BY AGREEMENTS AND BY INSTITUTING COMPENSATORY MECHANISMS; AND

C. THAT VENEZUELA USE ITS POSITION AS ONE OF THE WORLD'S LARGEST PETROLEUM SUPPLIERS TO PRESSURE THE INDUSTRIALIZED COUNTRIES INTO GRANTING CONCESSION TO THE DEVELOPING COUNTRIES.

3. KOGAN REPORTEDLY LISTED THE FOLLOWING AREAS WHERE SUCH CONCESSION COULD BE GRANTED:

A. IN OBTAINING BETTER PRICES FOR LDC EXPORTS,

B. IN IMPROVING TRANSFER OF TECHNOLOGY TO THE LDC'S.

C. IN ASSURING THE LDC'S AN AUTHENTIC ROLE IN INTERNATIONAL MONETARY REFORM, AND

D. IN GAINING MORE FAVORABLE ACCESS TO LDC'S TO WORLD MARKETS.

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4. IN MAKING HIS PLEAS FOR A MORATORIUM ON PRICES, KOGAN REPORTEDLY EMPHASIZED THE POINT THAT THE LDC'S HAVE BEEN ESPECIALLY HARD HIT BY THE DISPROPORTIONATE RISE IN PETROLEUM PRICES OVER THE PAST FEW MONTHS. HE WARNED THAT SUCH RISES COULD HAVE GRAVE EFFECTS ON DEVELOPING ECONOMIES WITH THE CONSEQUENT RISK OF "UNDESIRABLE SOCIAL CONSEQUENCES".

5. FURTHER PRESS COVERAGE INDICATES THAT VENEZUELA HAS JUST ANNOUNCED ONE MONTH MORATORIUM ON PETROLEUM PRICE HIKES.

6. COMMENT: THE CENTRAL AMERICAN'S CONCERN WITH THE PRICE EFFECTS ON PETROLEUM CRISIS, OF COURSE, IS VERY REAL. IN COSTA RICA'S CASE THE CENTRAL BANK HAS ESTIMATED THAT PRICE EFFECTS OF THE CRISIS WILL ADD A MINIMUM OF \$40 MILLION TO THE COUNTRY'S IMPORT BILL IN 1974. WE THINK THIS ESTIMATE COULD PROVE CONSERVATIVE. IN ANY CASE, THE PROSPECT IS FOR COSTA RICA'S TRADE DEFICIT, WHICH HAS BEEN ON A DECLINING TREND TO BELOW \$80 MILLION THIS YEAR FROM AN ALL TIME HIGH OF \$124 MILLION IN 1971, TO INCREASE DRAMATICALLY WITH AN IMMEDIATE IMPACT ON GNP GROWTH AND EMPLOYMENT.

7. MANY COSTA RICANS BELIEVE THAT THE GOV WILL BE RESPONSIVE TO THIS REQUEST BY THE CENTRAL AMERICANS. THIS BELIEF IS PREDICATED ON THE THESIS THAT VENEZUELA IS INTERESTED IN PLAYING A SPECIAL POLITICAL ROLE IN CENTRAL AMERICA AND THE CARIBBEAN. IN COSTA RICA'S CASE, MOREOVER, MANY ARE HOPEFUL THAT VENEZUELA WILL BE PARTICULARLY SYMPATHETIC BECAUSE OF THE "SPECIAL RELATIONSHIP" WHICH IS SUPPOSED TO EXIST BETWEEN PRESIDENT ELECT PEREZ AND OUTGOING COSTA RICAN PRESIDENT FIGUERES. THE QUESTION REMAINS, HOWEVER, WHETHER THE GOV WILL WANT TO GIVE SOM OF ITS MARBLES TO THE CENTRAL AMERICANS--WHO HAVE VERY LITTLE TO GIVE IN RETURN--OR KEEP THEM ALL FOR PLAYING WITH THE BIG BOYS.

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Message Attributes

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